



ROCKVILLE, MARYLAND

MEMORANDUM

May 17, 2011

TO: Valerie Ervin, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY11 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Third quarter results are consistent with the results reported at second quarter and in line with the resource assumptions in the Executive's recommended budget. We will continue to monitor department spending and will manage the year-end closeout process to ensure compliance with these targets. Significant expenditure variances from the approved budget are described below.

Third Quarter Expenditure Results

The Department of Correction and Rehabilitation is estimating an over-expenditure due to lapse occurring more slowly than the significant amount assumed in the budget, higher costs for overtime roll call pay, and overtime costs from multiple openings of the last inmate unit at the Montgomery County Correctional Facility.

The Department of Police is projecting to be overspent due to its significant budgeted lapse assumption, attrition occurring more slowly than anticipated, and the increased costs associated with an overtime patrol detail assigned to the Silver Spring central business district.

The Sheriff's Office is projecting to be overspent because of excess compensatory leave payments.

Transit Services is projecting to be overspent primarily because of higher overtime costs related to backfilling vacant bus operator positions.

Fire and Rescue Services is projected to be overspent because of higher than budgeted overtime and costs associated with backfilling employee absences, a delay in anticipated administrative retirements, and reinstatement of a liquidated prior year encumbrance for the electronic patient care system.

The Department of Permitting Services has incurred higher personnel costs due to requests for expedited permit reviews which are performed on overtime and less than expected lapse and turnover savings from abolished positions. Additionally, DPS is incurring higher space rental costs because of delays in build-out of the Public Safety Headquarters due to a longer than anticipated construction period needed by the contractor and delays in expected office relocations.

The following non-departmental accounts are projected to be over-spent: Leases because of delays in anticipated lease terminations related to delayed completion of build-out of the Public Safety Headquarters, Prisoner Medical Services because of higher than budgeted medical costs, Rockville Parking because of increased reimbursement for employee parking costs, Takoma Park Police Rebate because of a higher calculated formula payment, and Working Families Income Supplement because of a higher than expected number of beneficiaries.

The Executive will transmit a supplemental appropriation request in the amount of \$23.4 million to fund snow removal and storm damage cleanup costs incurred by the Departments of Transportation and General Services this fiscal year. The supplemental appropriation is funded by reserves set aside for that purpose in the Executive's recommended budget.

Third Quarter Revenue Update

Attached is an update on tax revenue collections through the end of the third quarter.

Reserves

After accounting for the County Executive's operating budget amendments and the snow supplemental appropriation request, total tax supported reserves across all County-funded agencies are estimated to be approximately \$54 million less than assumed in the original FY11 approved budget primarily due to estimated current year revenue declines.

JFB/JEB:ae

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

Attachments: Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 3/31/10

FY11 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	566,830	566,830	548,000	18,830	3.3%
Board of Elections	7,971,680	7,971,680	7,889,560	82,120	1.0%
Circuit Court	9,813,050	9,813,050	9,794,450	18,600	0.2%
Commission for Women	881,300	881,300	869,900	11,400	1.3%
Consumer Protection	2,079,200	2,079,200	2,021,990	57,210	2.8%
Correction and Rehabilitation	61,806,240	61,806,240	63,769,940	-1,963,700	-3.2%
County Attorney	4,552,550	4,552,550	4,629,850	-77,300	-1.7%
County Council	8,712,490	8,712,490	8,609,600	102,890	1.2%
County Executive	4,767,200	4,767,200	4,440,590	326,610	6.9%
Economic Development	6,285,150	6,285,150	6,221,980	63,170	1.0%
Emergency Management and Homeland Security	1,333,090	1,333,090	1,118,050	215,040	16.1%
Environmental Protection	1,947,210	1,947,210	1,855,250	91,960	4.7%
Ethics Commission	218,250	218,250	216,750	1,500	0.7%
Finance	9,596,890	9,596,890	9,498,370	98,520	1.0%
General Services	24,011,240	24,011,240	22,280,540	1,730,700	7.2%
Health and Human Services	177,832,030	177,832,030	174,688,310	3,143,720	1.8%
Housing and Community Affairs	3,901,690	3,901,690	3,842,390	59,300	1.5%
Human Resources	6,082,800	6,082,800	6,021,970	60,830	1.0%
Human Rights	1,738,400	1,738,400	1,623,010	115,390	6.6%
Inspector General	659,310	659,310	587,130	72,180	10.9%
Intergovernmental Relations	808,960	808,960	775,760	33,200	4.1%
Legislative Oversight	1,246,420	1,246,420	1,180,500	65,920	5.3%
Management and Budget	3,318,790	3,318,790	3,275,760	43,030	1.3%
Merit System Protection Board	148,530	148,530	147,740	790	0.5%
Non-Departmental Accounts	112,999,840	112,999,840	114,285,490	-1,285,660	-1.1%
Police	230,280,040	230,255,320	231,989,550	-1,734,230	-0.8%
Public Information	4,960,350	4,960,350	4,910,750	49,600	1.0%
Public Libraries	28,851,080	28,851,080	28,787,890	63,190	0.2%
Regional Services Centers	2,699,740	2,699,740	2,557,310	142,430	5.3%
Sheriff	19,484,030	19,484,030	19,535,320	-51,290	-0.3%
State's Attorney	12,342,270	12,342,270	12,253,490	88,780	0.7%
Technology Services	26,370,280	26,370,280	26,106,580	263,700	1.0%
Transportation	35,464,960	35,464,960	34,698,590	766,370	2.2%
Utilities	28,630,440	28,630,440	28,630,440	0	0.0%
Zoning and Administrative Hearings	549,190	549,190	543,240	5,950	1.1%
General Fund Total	842,911,520	842,886,800	840,206,040	2,680,750	0.3%
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,348,720	3,348,720	3,359,910	-11,190	-0.3%

FY11 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Silver Spring Urban District</u>					
Urban Districts	2,678,940	2,678,940	2,678,940	0	0.0%
<u>Wheaton Urban District</u>					
Urban Districts	1,410,170	1,410,170	1,410,170	0	0.0%
<u>Mass Transit</u>					
Transit Services	104,309,460	104,309,460	105,879,220	-1,569,760	-1.5%
<u>Fire</u>					
Fire and Rescue Service	182,148,330	182,574,970	185,846,140	-3,271,170	-1.8%
<u>Recreation</u>					
Recreation	25,896,670	25,896,670	25,590,370	306,300	1.2%
<u>Economic Development Fund</u>					
Economic Development Fund	852,440	1,578,570	1,528,770	49,800	3.2%
Special Funds Total	320,644,730	321,797,500	326,293,520	-4,496,020	-1.4 %
TAX SUPPORTED TOTAL	1,163,556,250	1,164,684,300	1,166,499,560	-1,815,270	-0.2 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,541,360	2,522,680	2,522,680	0	0.0%
Commission for Women	0	14,000	14,000	0	0.0%
Correction and Rehabilitation	0	409,450	409,450	0	0.0%
County Executive	343,230	350,730	350,730	0	0.0%
Economic Development	2,344,020	2,936,480	2,936,480	0	0.0%
Emergency Management and Homeland Security	0	4,298,220	4,298,220	0	0.0%
Environmental Protection	162,980	4,343,530	4,343,530	0	0.0%
Fire and Rescue Service	477,100	1,625,400	1,625,400	0	0.0%
Health and Human Services	73,136,960	73,533,000	73,533,000	0	0.0%
Housing and Community Affairs	7,751,030	7,773,790	7,773,790	0	0.0%
Intergovernmental Relations	34,000	34,000	34,000	0	0.0%
Liquor Control	0	45,150	45,150	0	0.0%
Non-Departmental Accounts	20,000,000	8,063,560	8,063,560	0	0.0%
Police	286,750	6,653,080	6,653,080	0	0.0%
Public Libraries	99,290	99,290	99,290	0	0.0%
Recreation	64,010	82,510	82,510	0	0.0%
Regional Services Centers	104,500	104,500	104,500	0	0.0%
Sheriff	716,050	745,750	745,750	0	0.0%
State's Attorney	508,820	619,340	619,340	0	0.0%
Transit Services	4,329,070	4,643,320	4,643,320	0	0.0%
Transportation	51,320	251,320	251,320	0	0.0%
Utilities	0	554,000	554,000	0	0.0%
Grant Fund MCG subtotal	112,950,490	119,703,100	119,703,100	0	0.0 %

Cable Television

Cable Television	10,492,160	10,492,160	11,048,490	-556,330	-5.3%
------------------	------------	------------	------------	----------	-------

FY11 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Montgomery Housing Initiative</u>					
Housing and Community Affairs	13,904,700	15,818,430	15,818,430	0	0.0%
<u>Water Quality Protection Fund</u>					
Environmental Protection	10,324,200	10,324,200	10,218,900	105,300	1.0%
Special Funds Total	147,671,550	156,337,890	156,788,920	-451,030	-0.3 %
Enterprise Fund					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	9,325,840	9,325,840	8,876,150	449,690	4.8%
<u>Bethesda Parking District</u>					
Parking District Services	11,406,050	11,406,050	11,393,880	12,170	0.1%
<u>Montgomery Hills Parking District</u>					
Parking District Services	121,680	121,680	113,170	8,510	7.0%
<u>Silver Spring Parking District</u>					
Parking District Services	10,970,000	10,970,000	10,969,100	900	0.0%
<u>Wheaton Parking District</u>					
Parking District Services	1,240,470	1,240,470	1,233,700	6,770	0.5%
<u>Permitting Services</u>					
Permitting Services	24,151,420	24,151,420	24,495,020	-343,600	-1.4%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,699,010	6,699,010	6,437,010	262,000	3.9%
<u>Solid Waste Disposal</u>					
Solid Waste Services	101,427,260	101,427,260	97,227,260	4,200,000	4.1%
<u>Vacuum Leaf Collection</u>					
Transportation	5,303,340	5,303,340	5,250,680	52,660	1.0%
<u>Liquor Control</u>					
Liquor Control	42,520,100	43,465,110	43,465,110	0	0.0%
Enterprise Fund Total	213,165,170	214,110,180	209,461,080	4,649,100	2.2 %
NON-TAX SUPPORTED TOTAL	360,836,720	370,448,070	366,250,000	4,198,070	1.1 %
TAX AND NON-TAX SUPPORTED TOTAL	1,524,392,970	1,535,132,370	1,532,749,560	2,382,800	1.0 %

Internal Service Funds

Employee Health Benefit Self Insurance Fund

Human Resources	187,389,810	187,389,810	175,255,960	12,133,850	6.5%
-----------------	-------------	-------------	-------------	------------	------

Motor Pool Internal Service Fund

Fleet Management Services	57,804,700	57,829,420	57,186,020	643,400	1.1%
---------------------------	------------	------------	------------	---------	------

Printing and Mail Internal Service Fund

General Services	6,507,340	7,388,100	7,388,100	0	0.0%
------------------	-----------	-----------	-----------	---	------

Self Insurance Internal Service Fund

Finance	47,892,070	47,892,070	47,519,520	372,550	0.8%
---------	------------	------------	------------	---------	------

INTERNAL SERVICE FUNDS TOTAL	299,593,920	300,499,400	287,349,600	13,149,800	4.4 %
-------------------------------------	--------------------	--------------------	--------------------	-------------------	--------------

FY11 3RD QUARTERLY ANALYSIS

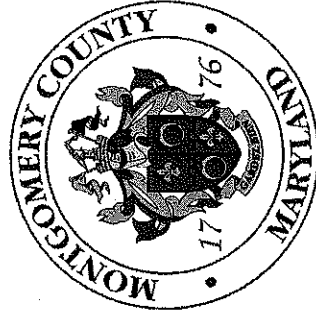
Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDA: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	4,872,920	4,872,920	4,872,920	0	0.0 %
NDA - Boards, Committees and Commissions	27,000	27,000	25,520	1,480	5.5 %
NDA - Charter Review Commission	100	100	100	0	0.0 %
NDA - Community Grants	3,947,140	3,947,140	3,947,140	0	0.0 %
NDA - Compensation and Employee Benefits Adjustment	1,728,780	1,728,780	1,684,010	44,770	2.6 %
NDA - Conference and Visitors Bureau	607,350	607,350	607,350	0	0.0 %
NDA - Conference Center	567,400	567,400	567,400	0	0.0 %
NDA - Council of Governments	754,500	754,500	742,930	11,570	1.5 %
NDA - County Associations	72,710	72,710	72,710	0	0.0 %
NDA - Desktop Modernization	3,180,950	3,180,950	3,149,140	31,810	1.0 %
NDA - Grants to Municipalities in Lieu of Shares Tax	28,020	28,020	28,020	0	0.0 %
NDA - Group Insurance-Retirees	31,096,730	31,096,730	31,096,730	0	0.0 %
NDA - Historical Activities	287,090	287,090	287,090	0	0.0 %
NDA - Homeowners' Association-Roads	16,000	16,000	16,000	0	0.0 %
NDA - Housing Opportunities Commission	5,804,040	5,804,040	5,789,530	14,510	0.2 %
NDA - Inauguration & Transition	5,000	5,000	2,730	2,270	45.5 %
NDA - Independent Audit	420,820	420,820	420,820	0	0.0 %
NDA - ITPCC	5,000	5,000	5,000	0	-0.1 %
NDA - Judges Retirement Contribution	3,500	3,500	280	3,220	92.1 %
NDA - Leases	20,945,540	20,945,540	21,054,350	-108,810	-0.5 %
NDA - Montgomery Coalition for Adult English Literacy (MCA	717,850	717,850	717,850	0	0.0 %
NDA - Municipal Tax Duplication	6,662,120	6,662,120	6,656,130	5,990	0.1 %
NDA - Prisoner Medical Services	10,000	10,000	81,550	-71,550	-715.5 %
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0 %
NDA - Risk Management	16,861,890	16,861,890	16,861,890	0	0.0 %
NDA - Rockville Parking District	381,390	381,390	396,570	-15,180	-4.0 %
NDA - State Positions Supplement	133,150	133,150	98,750	34,400	25.8 %
NDA - State Property Tax Services	205,760	205,760	114,220	91,540	44.5 %
NDA - State Retirement Contribution	1,030,360	1,030,360	1,030,360	0	0.0 %
NDA - Takoma Park Library Annual Payment	100,950	100,950	100,940	0	0.0 %
NDA - Takoma Park Police Rebate	717,580	717,580	881,160	-163,580	-22.8 %
NDA - Working Families Income Supplement	11,788,200	11,788,200	12,956,300	-1,168,100	-9.9 %
NDA: Tax Supported - County General Fund Total	112,999,840	112,999,840	114,285,490	-1,285,660	-1.1 %
NDA: Non-Tax Supported - Grant Fund MCG					
NDA - Future Fed/State/Other Grants	20,000,000	8,063,560	8,063,560	0	0.0 %
NDA: Non-Tax Supported - Grant Fund MCG Total	20,000,000	8,063,560	8,063,560	0	0.0 %

Montgomery County, Maryland

**THIRD QUARTERLY REVENUE
UPDATE**

Presentation to the Montgomery County Council

Department of Finance



May 12, 2011

Revenue Update

- **Three-Quarter Year Results:**

- Total tax collections through March of FY11, including investment income but excluding amusement and admissions taxes, totaled \$1.929 billion and were 6.9% above the same period in FY10 due primarily to rate increases in the Property Tax General Fund, fuel and energy tax, and telephone tax. Excluding property tax revenues, collections were \$871.1 million and up 10.8 percent from the same period in FY10.
- Income tax collections through March stood at \$570.9 million and approximately \$6.8 million below collections for the same period in FY10.
- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$1.057 billion (↑3.8%) through March compared to the same period in FY10. The growth is attributed to an increase in G.F. real property rate (from \$0.683 to \$0.699).

- **Transfer and Recordation Taxes:**

- Collections from the transfer tax (excluding condominium conversions) through March of FY11 were \$53.8 million, or 0.5 percent below the same period last fiscal year.
- Collections from the recordation tax (excluding the CIP portion and the rate premium) were \$32.3 million, an increase of 6.5 percent over last fiscal year.

Revenue Update

- **Transfer and Recordation Taxes (continued):**

- The decrease in the transfer tax is due primarily to a decline in residential transactions (↓19.0%). The total volume of transfers, not including condo conversions, was down 18.6 percent during the first three quarters of FY11 compared to the same period last fiscal year. However, the volume of recordation tax transactions (excluding CIP portion and rate premium) was up 16.8 percent compared to the first three quarters of fiscal year 2010. The increase in recordation tax transactions was attributed to a 36.7 percent increase in re-financing.
- The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$86.1 million compared to \$84.4 million for the same period last year (↑2.0%).

Revenue Update

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, but excluding admissions) totaled \$213.7 million, which were 72.6 percent above the first three quarters of FY10.
- Fuel/energy tax collections totaled \$164.8 million and 84.5 percent above the same period in FY10. The dramatic increase in tax collections is attributed to the across-the-board rate increases for FY11.
- Collections from the telephone tax were \$35.5 million and 58.3 percent above the previous fiscal year. The increase in tax collections is attributed to the rate increase for wireless communications for FY11.
- Collections from the hotel/motel tax are 10.9 percent above the same period last year.

Revenue Summary Sheet

REVENUE SUMMARY: MARCH 2011 MAJOR REVENUE COLLECTIONS				
	Fiscal Year 2011	Fiscal Year 2010	Variance FY11-FY10	Percent Change
<u>TAXES:</u>				
Income Tax	\$570,898,448	\$577,743,296	(\$6,844,847)	-1.2%
Property Tax (General Fund only)	\$1,057,439,086	\$1,018,438,637	\$39,000,449	3.8%
Transfer Tax (1)	\$53,808,525	\$54,052,625	(\$244,100)	-0.5%
Recordation Tax (2)	\$32,343,515	\$30,370,197	\$1,973,318	6.5%
Fuel/Energy Tax (3)	\$164,844,418	\$89,333,043	\$75,511,375	84.5%
Telephone Tax (4)	\$35,514,927	\$22,433,099	\$13,081,828	58.3%
Hotel/Motel Tax	\$13,389,949	\$12,070,844	\$1,319,105	10.9%
Admissions Tax	N.A.	N.A.	N.A.	N.A.
<u>MISCELLANEOUS:</u>				
Investment Income (Pooled Investment)	\$310,229	\$293,474	\$16,755	5.7%
<u>TOTAL</u>	\$1,928,549,097	\$1,804,735,214	\$123,813,883	6.9%

SOURCE: Revenue data for the consumption taxes are from the Department's *Selected Operations Summary* reports and Fiscal 2010 data will not match data from Third Quarterly Revenue Update for FY2010.

NOTES:

- (1) Excludes revenues from condominium conversions
- (2) Excludes School CIP and tax premium
- (3) Some of the revenues for Fiscal Year 2011 may include the rate increase enacted in May 2010 for Fiscal Year 2010.
- (4) Some of the revenues for Fiscal Year 2011 may include rates in effect for Fiscal Year 2010.